

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00
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FM AMEMBASSY BERN
TO SECSTATE WASHDC 4178
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PASS TREASURY AND FRB

E.O. 11652: N/A
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REPORT: WEEK APRIL 3-9

1. SUMMARY: FOREIGN EXCHANGE RATES WERE STEADY
IN QUIET MARKET; DOLLAR RATE AGAINST SWISS FRANC
WAS SF 2.53. GOLD PRICE SLIPPED FROM 150 TO 148.
CAPITAL AND MONEY MARKETS WERE ALSO CALM. SWISS
NATIONAL BANK ASKED BANKS TO RESTRICT FINANCIAL PARTICIPATION
IN FOREIGN LOANS ON SWISS MARKET TO RESIDENTS.
SWISS TRADE UNION FEDERATION VOTED TO SUPPORT
PROPOSED FEDERAL FINANCIAL PROGRAM. UNION BANK
OF SWITZERLAND PRESIDENT PREDICTED NO CHANGE IN
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SWISS BANK SECRECY. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: EXCHANGE RATES
REMAINED STEADY WITH MINOR FLUCTUATIONS IN CALM
MARKET. GOLD PRICE DIPPED TO 148 FOLLOWING IMF
SALE. RATES FOLLOW:

	4/4 (OPEN)	4/7 (CLOSE)
SPOT DOLLAR	2.5380	2.5360
FORWARD DISCOUNTS		
(PERCENT P.A.)		
1 MONTH	2.08	2.55
2 MONTHS	2.15	2.34
3 MONTHS	2.17	2.40
6 MONTHS	2.20	2.29
12 MONTHS	2.65	2.62
SF/DM	106.39	106.25
GOLD	150	148.5

3. CAPITAL AND MONEY MARKETS: MARKETS WERE CALM. CALL MONEY RATE REMAINED ONE PERCENT. PREDICTED EASTER WEEK BANK LIQUIDITY SHORTAGE DID NOT DEVELOP. STOCK PRICES REMAINED FIRM; SKA INDEX (1959 EQUALS 100) WAS 225.5 APRIL 7. AVERAGE YIELD CONFEDERATION BONDS REMAINED 3.94. PROVINCE OF MANITOBA ANNOUNCED IT WILL BORROW SF 80 MILLION AT 5.5 PERCENT FOR 15 YEARS, AND AG NORDCHOKLAD KALMAR, SWEDEN, ANNOUNCED IT WILL BORROW SF 25 MILLION AT 6.5 PERCENT FOR 25 YEARS WITH PARTIAL REPAYMENT BEGINNING AFTER 1981.

4. NEW SNB RULE: SWISS NATIONAL BANK ASKED BANKS NOT TO PERMIT NON-RESIDENTS (INDIVIDUALS OR INSTITUTIONS) TO PARTICIPATE IN FINANCING SWISS FRANC LOANS FLOATED IN SWITZERLAND BY FOREIGN BORROWERS. HOWEVER, FOREIGN BANKS RESIDENT IN SWITZERLAND

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MAY CONTINUE TO PARTICIPATE IN FOREIGN LOANS ON SWISS MARKET. SNB STRESSED THAT THIS MEASURE AIMS AT MINIMIZING INTERNATIONAL ROLE OF SWISS FRANC AND WAS TAKEN IN VIEW OF RECENT INCREASE IN MEDIUM TERM EUROFRANC LOANS.

5. FEDERAL FINANCIAL PLAN: SWISS TRADE UNION FEDERATION (SGB) ANNOUNCED ITS SUPPORT FOR GOVERNMENT'S FINANCIAL PACKAGE AIMING AT BALANCING THE BUDGET BY 1979, INCLUDING PROPOSED VALUE ADDED TAX. LEADING PROPONENT FOR SUPPORTING THE GOVERNMENT'S PLAN WAS OUTGOING SGB SECRETARY WALDEMAR JUCKER WHO HAS BEEN APPOINTED FEDERAL DELEGATE FOR BUSINESS CYCLE MATTERS. JUCKER STRESSED THAT NEW DIRECT TAX MEASURES WILL EASE BURDEN ON LOWER INCOME GROUPS AND THAT VAT IS ESSENTIAL TO BALANCED FEDERAL BUDGET, THOUGH VAT IS EXPECTED TO HAVE INFLATIONARY IMPACT ON CONSUMER PRICE INDEX.

6. BANK SECRECY: SWISS BANK SECRECY HAS BEEN
RECENT TOPIC OF PUBLIC DEBATE. UNION BANK OF
SWITZERLAND PRESIDENT PHILIPPE DE WECK TOLD
PRESS HE BELIEVED THERE WOULD BE NO CHANGE IN
SWISS BANK SECRECY AND CONTINUED USE OF NUMBERED
ACCOUNTS TO PROTECT AGAINST INVASION OF PRIVACY.
DE WECK ADDED THAT RECENT FEDERAL COURT DECISION
HAD HELD THAT BANK SECRECY COULD ONLY BE INVOKED
IN CASE OF NON-DECLARATION TO FISCAL AUTHORITIES
WITHOUT FRAUDULENT INTENT.
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